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SUBJECT: ITALY: 2005/2006 REPORT TO CONGRESS ON ALLIED
CONTRIBUTIONS TO COMMON DEFENSE

REF: STATE 223383

1. The following is Embassy Rome,s contribution to the 2005) 2006 Report to Congress on Allied Contributions to the Common Defense. Post understands from Reftel, Paragraph 6, that DOD will secure significant quantitative data, including defense spending data, from other sources. Post will provide narrative and, where available, quantitative inputs for Reftel,s questions. For the purpose of this cable, USD amounts are calculated at USD 1 = Euro 0.83. Embassy point of contact for this report is Political-Military Officer Lee R. Brown: telephone: 39-4674-2838; e-mail BrownLR@state.gov.

General Political and Economic Developments

2. Though Italian governments of both the center-left and the center-right have traditionally supported U.S. foreign policy objectives, Prime Minister Berlusconi,s leadership since 2001 has made Italy America,s strongest strategic partner in continental Europe. Italy sustained roughly 10,000 troops in overseas missions over the course of 2004-2005. Italy contributes troops and economic assistance in the Balkans, Afghanistan, and Iraq, counters terrorism at home and abroad, and allies clearly with us on Iran, Syria, Lebanon, Sudan, and the Broader Middle East. Within NATO, Italy supports U.S. efforts to transform the Alliance. Starting with its fall 2004 European Union Presidency-in-turn, Italy also worked within the EU to promote a European Security and Defense Policy that complements rather than duplicates NATO.

3. Following poor results in the April 2005 regional elections, Prime Minister Silvio Berlusconi reconstituted his four-party coalition government of the Center-Right. In national parliamentary elections, scheduled for April 9, 2006, Berlusconi will once again head the center-right coalition. Former EU Commission President (and former Italian PM) Romano Prodi will head the center-left coalition in the elections. During the latter half of 2005, Prodi,s coalition maintained a small but consistent advantage over Berlusconi,s coalition in opinion polls. The gap has narrowed to almost even in the first two months of 2006.

4. Italy has one of the largest economies in the EU and is a G-8 member, but has enjoyed little growth over the last several years. In 2004, Italy ranked near the bottom of the EU 25 in terms of real GDP growth, beating only the Netherlands, Portugal, and Malta. Over the past five years, Italy,s economy has eked out average real GDP growth of 0.74. In 2005, GDP growth was 0.2 percent, with growth of 1.25 percent projected for 2006. An aging population and a swelling entitlement burden have added to Italy,s problems. Berlusconi,s tax cuts in 2005 did not stimulate the economy, but instead helped push Italy,s deficit well over the EU fiscal limit of 3 percent of GDP. Italy,s 2006 budget includes USD 33 billion in spending cuts and new revenue measures to shrink the deficit/GDP ratio to the EU-set ceiling of 3.8 percent for that year. In spite of budgetary constraints, however, Italy maintained its economic assistance and training programs targeted on such priority areas as Afghanistan, Iraq and the Balkans.

Two Years of Defense Budget Cuts

5. While budget problems so far have not compelled Italy to scale back its overseas military commitments, Italy has cut its overall defense budget for two years in a row. In the FY 2005 budget, Italy reduced its defense spending by 6 percent from FY 2004. For FY 2006, Italy plans to cut its defense budget by another 5.1 percent (from USD 16.3 to USD 15.5 billion). As a percentage of GDP, 2006 Italian defense spending will amount to about 0.90 percent. The lack of economic growth, combined with EU-mandated deficit caps, has resulted in downward pressure on Italy,s defense operations budget. The full impact of these budget cuts on Italy,s military capabilities remains to be seen, but the Italian Defense Staff already anticipates substantial reductions in training and operating expenditures. (See Paragraphs 17-20)

Italy,s NATO Contributions

¶6. 2004 NATO Contributions: In the Balkans, Italy deployed 5,274 troops within NATO and EU missions. Italy maintained its key role in KFOR and promoted and facilitated transfer of SFOR to EUFOR, re-assigning its forces under EU command. Italy continued training and leading Multinational Stabilization Units in Bosnia and Kosovo. Following Kosovo violence in March, 2004, Italy argued for reform of national caveats that weaken NATO effectiveness. Italy worked within NATO and bilaterally to promote the Adriatic Initiative. In Afghanistan, Italy was a major ISAF contributor, while 236 Italian sailors also supported Operation Enduring Freedom (OEF) in the Indian Ocean. Responding to an urgent NATO request, Italy deployed a 500-unit NRF battalion to support Afghan presidential elections in September 2004. Italy completed planning for Provincial Reconstruction Teams (PRTs) at Ghazni and Herat, standing down in both cases at last-minute U.S. requests. In November 2004, NATO accepted Italy,s renewed offer to lead a PRT and support a Spanish-led Forward Support Base (FSB), both at Herat. In the North Atlantic Council (NAC), Italy advocated establishing the NATO Training Mission in Iraq. In March 2004, then Italian Foreign Minister Franco Frattini traveled to Brussels to propose enhancing NATO,s political role to complement its military transformation, an idea the U.S. also began promoting in 2005.

2004 NATO Force Contributions (Source: MOD / November 2004)

Afghanistan / ISAF Kabul: 1,025
Albania / NATO HQ Tirana: 365
Albania / Second Naval Group: 145
Albania / Expert Delegation: 31
Bosnia / SFOR: 1,110
Macedonia / NATO HQ Skopje: 19
Macedonia / SFOR Logistic Support: 130
Kosovo / KFOR: 3,430
Mediterranean / Active Endeavor: 185

¶7. 2005 NATO Contributions: In the Balkans, Italy maintained 3,650 troops under NATO and EU missions while also serving as EUFOR commander, EUPM commander, and KFOR commander (see also Paragraph 14). Italy also commanded NATO HQ Tirana. In Afghanistan, Italy increased its military presence, took command in March 2005 of a PRT at Herat, provided crucial assets to the Spanish-led Herat FSB, and served as ISAF commander-in-turn and Multi-National Brigade commander, while 236 Italian sailors supported OEF in the Indian Ocean. Italy pushed for ISAF expansion and command restructuring while also signing on to SEEBRIG,s mission to take over ISAF command in 2006. In Iraq, Italy led NATO countries by conducting three of four NTM training modules. Italy participated in NATO-led Pakistan earthquake relief with 246 troops (see Paragraph 27).

2005 NATO Force Contributions (Source: MOD / December 2005)

Afghanistan / ISAF HQ Kabul: 1,766
Afghanistan / ISAF Herat PRT / FSB: 355
Albania / NATO HQ Tirana: 23
Albania / 28th Naval Group: 143
Albania / Expert Delegation: 32
Bosnia / NATO HQ Sarajevo: 12
Iraq / NATO Training Mission: 31
Macedonia / NATO HQ Skopje: 10
Kosovo / KFOR: 2,497
Mediterranean / Active Endeavor: 223

¶8. Italy hosts both a Land and a Maritime NATO High Readiness Force (NRF) HQ. During Afghan presidential elections in September 2004, Italy provided about 500 NRF land component members to provide extra security. Italy also stood up the NRF Maritime Force HQ for one year, starting July 2005.

¶9. For Italy,s progress in meeting Prague Capabilities Commitments, please consult official NATO documents. The most recent account can be found in Annex 6 of AC/281-N (2005) 0030) FINAL. Embassy Rome POC is ready to forward this document by classified e-mail on request.

OEF

¶10. In Operation Enduring Freedom, Italy has provided a series of TF-150 frigates, each with approximately 250 people, to patrol the Gulf of Aden as part of &Resolute Behavior.8 Support activities include: maritime interdiction operations; intelligence and maritime surveillance operations; controlling sea lines of communication; escorting coalition units and related shipping; and search and rescue operations. In 2005, the Italian Air Force contributed 75 military personnel and 2 C-130J aircraft operating from Manas Air Base in Kyrgyzstan. At CENTCOM HQ, Italy maintained 8 military personnel to

support OEF in 2005.

Operation Iraqi Freedom

¶11. In 2004, Italy contributed forces through its "Antica Babilonia" Iraq deployment consisting of over 3,264 deployed personnel (November 2004 MOD figures), which represented the third largest deployment of a coalition force behind the U.S. and U.K. The Italian Army provided a brigade HQ element, 1 infantry regiment, 1 engineer battalion (including EOD), close support units (including NBC), 1 logistic support regiment, medical assets, CIMC assets, and an aviation element (3-Chinook and 4-AB212 helicopters). The Italian Navy provided 1 naval infantry company and 1 SEAL detachment. The Italian Air Force provided 1 helicopter detachment (3-HH3F), 1 cargo aircraft detachment (3-C130J), an aircraft maintenance unit, and a logistics support unit. Finally, the Italians also provided one 433-personnel Carabinieri multinational specialized unit, which began training local police forces. Italy supported US positions at the UN and in NATO, strongly advocating an increased NATO role in Iraq. Italy also pressed for an EU police training mission and was an active participant in the November Iraq Reconstruction Conference in Sharm el-Sheik.

¶12. In 2005, Italy sustained its Iraq commitment despite political controversy resulting from the March 4, 2005 incident in which an Italian intelligence officer was accidentally killed at a roadblock by U.S. forces while taking a rescued Italian hostage to the Baghdad airport. The GOI deployed the PREDATOR system to support the January 2005 elections in Iraq partially in response to a CENTCOM request. Italy deployed 3,110 military personnel in Iraq during 2005, including 31 at NATO Training Mission in which Italy led NATO countries by conducting three of four training modules. By year's end, the Carabinieri had trained 10,516 Iraqis in basic policing techniques over an eighteen-month period.

2005 OIF Force Contributions (Source: MOD / December 2005)

Kuwait/Air Base Logistical Support: 46
Iraq/Nassiriyah: 2,898
Iraq/Bassora: 43
Iraq/Baghdad: 29
Iraq/C.R.I.: 58
Iraq/NATO Training Mission: 31
Iraq/MNSTC-1: 5
Iraq/Experts at MOD Iraq: 3

¶13. In 2006, Italy announced it would end its "Antica Babilonia" mission in Iraq at the end of the year, but that it would keep a substantial presence in Iraq to assist in reconstruction and continue training security forces, including in the NATO Training Mission. At January 2006 U.S.-UK-Italy tri-lateral consultations on Iraq, Italy said it would lead a PRT in Dhi Qar province to support Iraqi capacity-building efforts and that it would consider expanding training of Iraqi security forces from other provinces in new areas (gendarme, special police units, and possibly border police).

EU / UN / MFO Missions

¶14. As a result of the Italian-supported handover of security responsibilities in Bosnia from NATO to the EU, Italy's participation in EU missions grew rapidly in 2005, with former SFOR troops transferred to EUFOR (see also Paragraphs 6 and 7). Italy also took command-in-turn of both EUFOR and EUPM. In 2005 Italy contributed airlift for EU and NATO use in Darfur Sudan. In December 2005, an Italian Carabinieri general took command of the EU's border monitoring mission at Rafah, Gaza.

2004 non-NATO Balkans Contributions (Source: MOD / November 2004)

Bosnia/EUPM: 23
Balkans/EU Monitoring Mission: 15
Macedonia/EUPOL Proxima: 5
Kosovo/UNMIK: 1

2005 non-NATO Balkans Contributions (Source: MOD / December 2005)

Bosnia/EUFOR: 892
Bosnia/EUPM: 13
Balkans/EU Monitoring Mission: 15
Macedonia/EUPaD (former Proxima): 3
Kosovo/UNMIK: 2

¶15. Italy contributed military personnel to the Multinational Force and Observers (2004: 77; 2005: 76) and various UN operations (2004: 73; 2005: 77) in the Middle East and Africa.

COESPU

¶16. Following President Bush,s and PM Berlusconi,s agreement at the June 2004 Sea Island G-8 Summit, Italy established the Center of Excellence for Police Stability Units (COESPU) at Vicenza to meet long-term G-8 goals for enhancing international gendarme peacekeeping capability. The Italian Carabinieri spent about USD 11 million and committed 143 full-time Carabinieri personnel to COESPU, while the U.S. provided financial support of USD 10 million for FY 2005. In December 2005, the first class of 29 senior officers from Kenya, India, Jordan, Morocco, and Senegal graduated from COESPU,s high-level course. More courses, with more countries participating, are scheduled for 2006.

Military Acquisitions

¶17. In 2004-2005, Italy continued to upgrade its defense capabilities, despite significant defense budget cuts. Italy aimed at increased interoperability with recent and forthcoming acquisitions and equipment available to support surveillance, air defense, troop deployments, and allied / multi-national operations. Italy,s capability for long-range deployment will be substantially augmented with the USD 800 million purchase and expected 2006 delivery of the first of four KC-767 Tankers. Italian airlift resources were enhanced with the USD 1.7 billion direct commercial sale of 22 C-130J aircraft and 12 C-27Js for tactical transport aircraft. Italy,s air-to-air defense has been significantly upgraded with a USD 759 million lease and delivery of 34 F-16 aircraft as an interim replacement of their F-104s while waiting for delivery of Eurofighter aircraft. The F-16 lease will be extended in 2006 for an additional five years (to 2011). The Italian Air Force is the first to achieve operational status of the Eurofighter Typhoon with the delivery of 10 (out of 121 ordered) aircraft. The air-to-ground defense role, currently supported by AV-8B, CH-47 helicopters, Tornados, and AMX aircraft, will see a state-of-the-art impact through Italy,s USD 1.028 million investment in the U.S.-led, nine member nation, F-35 Joint Strike Fighter (JSF) Program. Italy is the third largest JSF contributor (behind the United States and Great Britain) to include Level II partnership. In the long term, Italy plans on purchasing 131 JSFs. Italy marked considerable ISR progress with its recently completed USD 63 million purchase of five Predator Unmanned Aerial Vehicles (UAV) and one ground station: these new assets were deployed in support of operations in Iraq.

¶18. Italian MOD acquisition plans will improve Italy,s ability to support forces deployed in country or in other theaters through missile defense and armament programs. Italy will contribute to 17% (USD 674 million) within a cooperative development program with Germany and the U.S. for the Medium Extended Air Defense System (MEADS). Italian air-to-air armament inventory, already consisting of AMRAAMs, HARMs, Mavericks, and Stinger ATAL missiles, will be supplemented with the addition of Advanced Anti-Radiation Guided Missiles (ARGM), the Meteor Beyond Visual Range Air-to-Air (BVRAAM) missile, and the AIM120-C Advance Medium Range Air-to-Air Missile (AMRAAM). Italy,s air-to-ground armaments, currently consisting of Joint Direct Attack Munition (JDAM) will be complemented with the addition of the Long Shot bomb guidance system and Small Diameter Bomb (SDB). Ground-to-Air Defense systems have been substantially improved through the acquisition of Stinger Block 1, and Tube-Launched / Optically-Tracked / Wire Guided (TOW Missiles) with potential upgrades to include the Avenger Guided Missile Battery, Multiple Launch Rocket System (MLRS) and Third Generation Anti-Tank Systems.

¶19. U.S.-provided training is a fundamental part of Italian interest in acquiring leading edge weapon systems and armaments. Italy,s emphasis is on the &operational function8 of these weapon systems that can only be accomplished through intensive training. Senior Italian leadership continues to acquire U.S. military tactics, strategies, and philosophies at American schools that support weapon systems with the intent to integrate their forces within multinational contexts in the face of future challenges. Additionally, continuous deployments of Italian forces supporting OEF and OIF have provided them with first-hand knowledge of sophisticated U.S. equipment. 333 Italian military personnel received U.S. training in 2005.

¶20. 2006 budget cuts make it less likely that Italy will propose ambitious new procurement programs in the near future; indeed, some procurement programs not yet secured under contract may be threatened. To meet current procurement commitments, the MOD,s 2006 budget does include a procurement supplement of USD 66 million this year and for 14 subsequent years, totaling USD 991 million for the MOD,s Major International and Interforce Programs. In addition, the Ministry of Productive Activities provided funding in 2006 for the Italian-French Multi-Mission Frigate Program (FREMM) over the next three years, USD 36, 36, and 90 million respectively. However, procurement programs not already under contract, such as the Joint Surveillance and Command Program (JSCP), MMA, and C-17, may be at risk in coming years.

Defense Industry Capacity-Building

¶21. Budget austerity measures and a stagnant economy will drive the GOI to leverage its defense spending to continue to gain access to cutting edge technologies as part of a broad effort to revive the economy. In the face of economic pressures, the GOI seeks to redouble efforts to use defense contracts to create jobs and obtain new technology that can be used to give Italian companies a competitive advantage. The amount of technology transfer and job creation resulting from Italian participation continues to weigh heavily in defense procurement decisions. Disappointment in the outcomes of previous technology transfer agreements will guarantee close scrutiny of future projects.

¶22. In an effort to facilitate increased economic activity, the Italian Association for Aerospace Industry is working with the Ministry of Productive Activities to identify aerospace plants which can form the heart of Industrial Basins.⁸ The goal is to create industrial centers that enable companies to capitalize on concentrations of knowledge and skilled labor. Non-aerospace projects are already making substantial contributions to the regional economies of Liguria (FREMM), Puglia and Piemonte (Eurofighter and NH-90 helicopter), and Tuscany (C-130J maintenance contracts). The Augusta Westland/Lockheed Martin successful bid for the US-101 helicopter for U.S. Presidential airlift support gave the Italian defense industry entry into what had been a U.S.-only market.

¶23. Given the GOI's goal of using defense contracts to promote technology transfers and economic growth, it is possible that future joint projects such as the C-17 and JSCP could be scaled back or cut unless the GOI and Italian industry are confident that the economic and tech transfer benefits of participation outweigh the costs. Italian overseas deployments have demonstrated the importance of interoperability between U.S. and Italian forces, but economic pressures may push the GOI to seek alternative sources of defense procurement that might better withstand domestic scrutiny.

Italian Army Modernization

¶24. Italy ended the draft in 2004 in favor of an all-volunteer military. The Italian Army is now seeking to create a highly mobile force prepared for long deployments overseas, but provided with a standard of living and pay structure befitting professional status. The Italian Army is studying the use of open barracks, which are more attractive to military families and better integrated with surrounding communities. Moves to become more expeditionary are centered around the Army's Corps Headquarters at Solbiate Olona and three division commands, two of which are near completion. Today, six of 11 brigades are heavy, but the Italian Army is reducing them to three, alongside four medium and four light brigades. In 2005 the Army created a new intelligence, surveillance, target acquisition and reconnaissance / electronic warfare brigade and a psychological operations regiment, while the establishment of a second nuclear-biological-chemical detection battalion is still in progress.

¶25. According to its modernization plans, the 112,000-strong Italian Army will include 67,000 deployable soldiers, all of whom would be available for NATO Article 5 situations. For crisis-response, 13,000 will be deployable overseas, with three same-sized contingents ready to rotate, totaling 52,000. The remaining 15,000 deployable soldiers will cover NATO, EU and national security duties. Of the 45,000 non-deployable troops, 15,000 will work on command and control, headquarters and training tasks; 30,000 will be employed by inspectorates, logistics and other units.

Economic Assistance

¶26. Budget constraints have shrunk Italy's overall development assistance during recent years. In 2004, Italy gave USD 490 million (Euro 407 million) in worldwide economic assistance, including grants and credits. Of this, Italy gave roughly 25 million USD in assistance to the Balkans in 2004. For Afghanistan, Italy pledged USD 174 million (Euro 145 million) from 2004 through 2006, a figure which includes support for Italy's role as international coordinator of Afghan justice sector reform. In 2004, Italy provided USD 27.85 million to support governance capacity of other nations, often channeling assistance funds through multi-lateral and non-governmental organizations. Italy has disbursed USD 75,600,000 in Iraq since 2004 in bilateral projects or non-IRFFI trust funds, with USD 15,876,000 contributed since 2004 to IRFFI trust funds. No economic assistance figures are yet available for 2005. FY 2006 overall economic assistance will again be cut substantially, though Italy is protecting pledged assistance in priority areas such as Afghanistan and the Balkans.

Disaster Relief / Humanitarian Assistance

127. In 2004, Italy provided USD 53.55 million in humanitarian assistance. In 2005 Italy pledged USD 95 million for tsunami relief and USD 27.4 million for Pakistan earthquake relief (see Paragraph 7). Italy was also among the first countries to offer assistance following Hurricane Katrina. After discussion with FEMA, Italy's Department of Civil Protection sent a C-130 on September 4 to Washington with emergency supplies that were later delivered to an Air Force base near Little Rock.

Non-Proliferation

128. Italy continued its 2002 ten-year G-8 Global Partnership commitment of USD 1.2 billion (Euro 1 billion), including its financial pledge to the bilateral agreement with Russia: 360 million euro over ten years to honor the Italy-Russian Federation bilateral agreement on the dismantlement of decommissioned nuclear submarines and the management of radioactive waste and spent nuclear fuel. However, the 2005 budget crisis induced the Italians to break off negotiations on a legally binding U.S.-Italy agreement facilitating Italian financial contribution to the Elimination of Weapons Grade Plutonium Production Program (part of the Global Partnership on the Spread of Weapons of Mass Destruction) for nuclear reactors in Zheleznogorsk and Seversk, Russia. In June 2005, Italy supported the successful U.S. initiative at the IAEA Board of Governors meeting to establish a new Special Committee on Safeguards and Verification. In November 2005, Italy participated in the GTRI "Gap" Program: Officials from SOGIN (Society for Managing Nuclear Facilities) hosted a DOE/NNSA team to discuss finding a disposition path for, among other nuclear materials, separated plutonium (Pu) stored in the following facilities: Saluggia, Casaccia, Trisaia (all in Italy), and Sellafield (UK).

129. During 2004-2005, Italy was a core participant in the Proliferation Security Initiative (PSI), taking part in two PSI exercises and in 2005 activating PSI procedures to search suspicious containers in Cagliari harbor. Italy has backed the U.S. and the EU in pressing Iran to observe its international non-proliferation responsibilities. Italy worked with the U.S. to block dual use technology exports to states of concern, demonstrating flexibility in stopping exports not covered by multilateral agreements. During 2004-2005, Italy participated in two separate U.S.-scripted exercises to test contingency plans for hypothetical chemical/biological/nuclear terrorist attacks on U.S. military facilities at Italian bases. By the end of 2005, five Italian ports were participating in the Container Security Initiative: Le Spezia, Genoa, Naples, Gioia Tauro, and Livorno.

Anti-Terrorism

130. In 2004-2005, Italy cooperated with the U.S. and with other governments to disrupt significant operations, including the arrest of "Mohammad the Egyptian," suspected of involvement in the Madrid bombings, and has been forthcoming on several sensitive investigations. The Interior Minister has made vigorous use of the expulsion option newly available under Italian law. Magistrates in Rome, Milan, Naples, Bologna, Turin and Bari have cooperated with DOJ, Legat, NCIS and other U.S. agencies. With assistance from U.S. agencies, Italy made significant inroads in dismantling the new Red Brigades-Communist Combatant Party domestic terrorist organization and pursued local anarchist suspects. There were no terrorist acts in Italy against U.S. persons, businesses, or interests.

131. Under Italy's EU presidency in 2004, the EU designated Hamas as a terrorist organization. In 2005, Italy supported U.S. efforts to encourage Syria to abide by international norms by canceling two high-level Syrian visits. Italian leaders spoke out strongly against Syrian interference in Lebanon and condemned the assassinations of leading Lebanese political figures. Italy forcefully criticized the new Iranian government's remarks against Israel, and Iran's intentions to resume nuclear enrichment activities.

132. In 2005, the Italian Council of Ministers approved and submitted to Parliament, as part of the implementing legislation of the third EU Money Laundering Directive, a law allowing seizure and forfeiture of non-financial assets belonging to terrorists and their supporters. During the same year, Italy submitted more terrorist names for consideration by the UNSC 1267 Committee than any other EU member state. Italy also urged EU members to submit terrorist names to UNSC 1267 Committee. Italy participated in U.S.-led training including cyber crime, financial and transportation protection, and immigration (300 trained). Cumulative terrorist assets frozen by the Italians were top among all EU countries. Italian security agencies closely

cooperate with Mission agencies on exploiting available resources, training, and sharing terrorist-related leads. Finally, Italy and the U.S. established a strong working relationship in preparation for the February 2006 Turin Olympics and both sides have settled on appropriate levels of cooperation and information sharing.

Changes in U.S. Use of Italian Bases: 2004 - 2005

¶33. While in 2004 Italy provided its normal high level of support for the roughly 15,000 U.S. military personnel stationed in Italy, landmark basing changes took place in ¶2005. Italy agreed to the first stage of the U.S. Army plan to double its presence at Vicenza with new facilities at Dal Molin Airfield. Italian and U.S. negotiators completed the draft Sigonella Technical Arrangement (TA) governing U.S. Navy use of that facility in Sicily. The Sigonella TA is expected to be ready for signature in 2006, when negotiations will also begin on TAs for Camp Darby, Capodichino, and San Vito. With Italian support, NAVEUR HQ transferred from London to Naples, while 6th Fleet HQ transferred from Gaeta to Naples.

Cost Sharing

¶34. Italy does not provide cash assistance or replacement in kind assistance in support of stationed US forces. The Italian government does not rent or lease property to US forces. All fixed structures utilized by the US on Italian military bases are free. Italy provides free utility connections to base perimeters (but the US pays local utility companies for the service utilized), free external security for the bases, and no-fee training ranges. Italy does not pay salaries for US employees on the bases.

Indirect Cost Sharing

¶35. Italy makes significant contributions of land provided to the US to operate 7 principal military bases and numerous sites on a cost-free basis. This estimated USD 260,000,000 per year in savings in foregone rent includes access to 3 airbases, 2 homeports, 1 large ammunition and equipment staging base, and a homeport that possesses the only maintenance/repair tender ship in the Mediterranean or Atlantic. Italy provides security forces and anti-terrorist protection, Carabinieri support for armed personal security protection of U.S. dignitaries, and a robust telecommunications infrastructure that carries U.S. military data and voice signals. Additionally, Italy provides safe lines of communication (airports, sea ports, railways, highways, air routes) to allow a high volume of U.S. forces and equipment. The U.S. Navy heavily uses the military part of Capodichino airport in Naples, while Italy holds available other civilian/military airfields for sporadic U.S. uses: these include Pisa, Elmas, Rimini, Brindisi, Fiumicino, Ciampino, and Malpensa. Italy also hosts a US/NATO munitions storage facility.

¶36. During 2004-2005, Italy increased the number of Italian armed security forces around military and government agencies, participated in &Product Sharing8 activity of Italian military intelligence community, supported the NATO Combined Air Force Operations Center support, provided Italian Coast Guard support to protect U.S. naval vessels, and used Italian Air Force assets to serve as a defensive shield for U.S. military personnel at Italian bases.

Tax Concessions

¶37. Italy provided numerous tax concessions for stationed US personnel. While post does not have an estimate of the total value of these concessions, they include:

- Waiver of the Value Added Tax (VAT) of 20% for official purchase of services, materials and supplies;
- Waiver of import duties;
- Waiver of VAT for POL products;
- Waiver of VAT in the last 90 days of service members, tours in Italy;
- Waiver of VAT on Utilities.

SPOGLI